

CITY OF EAGLE GROVE, IOWA

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2021

T.P. ANDERSON & COMPANY, P.C.
Certified Public Accountants

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City of Eagle Grove, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Sandy McGrath	Mayor	December 2021
Matt Jergens	Council Member	December 2021
Sonya Middleton	Council Member	December 2021
Joshua Schild	Council Member	December 2021
Al Pamperin	Council Member	December 2023
Chase Quintus	Council Member	December 2023
Mike Weland	Council Member	December 2023
Susan Maier	Finance Officer	Indefinite



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eagle Grove, Iowa (the City), as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the

aggregate remaining fund information of the City of Eagle Grove as of June 30, 2021, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Eagle Grove's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the ten years ended June 30, 2020 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability, and the Schedule of City Contributions on pages 23 through 27 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2022 on our consideration of the City of Eagle Grove's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Eagle Grove's internal control over financial reporting and compliance.

T.P. Anderson & Company, P.C.

February 4, 2022

Humboldt, IA

Basic Financial Statements

City of Eagle Grove, Iowa
Cash Basis Statement of Activities and Net Position
As of and for the year ended June 30, 2021

		Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants Contributions and Restricted Interest
	Disbursements			
Functions/Programs:				
Governmental activities:				
Public safety	\$ 1,265,700	188,030	366,172	-
Public works	843,077	362,575	536,240	-
Culture and recreation	819,554	48,437	47,019	-
Community and economic development	222,163	5,505	-	100,240
General government	184,754	-	-	-
Debt service	742,710	-	-	-
Capital projects	1,955,872	-	-	31,171
Total governmental activities	6,033,830	604,547	949,431	131,411
Business-type activities:				
Water	1,319,384	791,212	-	182,861
Sewer	3,438,805	2,426,362	-	208,041
Meter deposits	14,918	-	-	-
Total business-type activities	4,773,107	3,217,574	-	390,902
Total	\$ 10,806,937	3,822,121	949,431	522,313
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt Service				
Tax increment financing				
Local option sales tax				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Loan proceeds				
Miscellaneous				
Sale of assets				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position, beginning of year				
Cash basis net position, end of year				
Cash Basis Net Position				
Restricted:				
Nonspendable:				
Cemetery				
Library				
Expendable:				
Streets				
Employee benefits				
Local option sales tax				
Capital projects				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
--	--	--

Governmental Activities	Business-type Activities	Total
(711,498)	-	(711,498)
55,738	-	55,738
(724,098)	-	(724,098)
(116,418)	-	(116,418)
(184,754)	-	(184,754)
(742,710)	-	(742,710)
(1,924,701)	-	(1,924,701)
(4,348,441)	-	(4,348,441)
-	(345,311)	(345,311)
-	(804,402)	(804,402)
-	(14,918)	(14,918)
-	(1,164,631)	(1,164,631)
(4,348,441)	(1,164,631)	(5,513,072)

1,474,900	-	1,474,900
151,717	-	151,717
317,457	-	317,457
497,522	-	497,522
56,152	-	56,152
2,973	485	3,458
2,065,000	436,058	2,501,058
253,240	34,008	287,248
6,158	-	6,158
4,825,119	470,551	5,295,670
476,678	(694,080)	(217,402)
1,833,297	1,662,802	3,496,099
\$ 2,309,975	968,722	3,278,697

\$ 71,210	-	71,210
40,700	-	40,700
314,250	-	314,250
81,023	-	81,023
53,255	-	53,255
2,416,798	502,659	2,919,457
117,144	-	117,144
(784,405)	466,063	(318,342)
\$ 2,309,975	968,722	3,278,697

City of Eagle Grove, Iowa
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2021

	Special Revenue		Capital Projects		
	General	Road Use Tax	Debt Service	Wellness Center	Residential Development
Receipts:					
Property tax	977,226	-	151,716	-	-
Tax increment financing	-	-	-	-	-
Other city tax	14,881	-	-	-	-
Licenses and permits	24,304	-	-	-	-
Use of money and property	24,918	-	-	-	39
Intergovernmental	475,855	536,240	4,817	-	-
Charges for service	309,868	-	-	-	-
Miscellaneous	46,474	-	-	97,950	3,150
Total receipts	1,873,526	536,240	156,533	97,950	3,189
Disbursements:					
Operating:					
Public safety	936,176	-	-	-	-
Public works	62,939	449,993	-	-	-
Culture and recreation	386,643	-	-	-	-
Community and economic development	106,286	-	-	-	-
General government	133,764	-	-	-	-
Debt service	-	-	742,710	-	-
Capital projects	-	132,919	-	321,564	411,342
Total disbursements	1,625,808	582,912	742,710	321,564	411,342
Excess (deficiency) of receipts over (under) disbursements	247,718	(46,672)	(586,177)	(223,614)	3,189
Other financing sources (uses):					
Loan proceeds	-	-	-	2,065,000	-
Sale of assets	6,158	-	-	-	-
Operating transfers in	15,295	-	568,808	-	-
Operating transfers out	(20,000)	-	-	(7,500)	(161,250)
Net other financing sources (uses)	1,453	-	568,808	2,057,500	(161,250)
Change in cash balances	249,171	(46,672)	(17,369)	1,833,886	(158,061)
Cash balances, beginning of year	445,631	360,922	1,287	-	401,774
Cash balances, end of year	694,802	314,250	(16,082)	1,833,886	243,713
Cash Basis Fund Balances					
Nonspendable:					
Cemetery	-	-	-	-	-
Library	-	-	-	-	-
Restricted for:					
Streets	-	314,250	-	-	-
Employee benefits	-	-	-	-	-
Local option sales tax	-	-	-	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	1,833,886	243,713
Other purposes	31,466	-	-	-	-
Unassigned	663,336	-	(16,082)	-	(595,304)
Total cash basis fund balances	694,802	314,250	(16,082)	1,833,886	243,713

See notes to financial statements.

2019 Projects	Nonmajor	Total
-	497,675	1,626,617
-	317,457	317,457
-	497,522	512,403
-	-	24,304
112	4	25,073
-	120,082	1,136,994
-	294,679	604,547
-	44,381	191,955
112	1,771,800	4,439,350
-	316,970	1,253,146
-	323,110	836,042
-	131,497	518,140
-	115,877	222,163
-	34,340	168,104
-	-	742,710
303,558	1,108,053	2,277,436
303,558	2,029,847	6,017,741
(303,446)	(258,047)	(1,578,391)
-	-	2,065,000
-	-	6,158
-	91,250	675,353
-	(486,603)	(675,353)
-	(395,353)	2,071,158
(303,446)	(653,400)	492,767
642,645	189,994	1,858,291
339,199	(463,406)	2,351,058
-	71,210	71,210
-	40,700	40,700
-	-	314,250
-	81,023	81,023
-	53,255	53,255
-	-	-
339,199	-	2,416,798
-	85,678	117,144
-	(795,272)	(743,322)
339,199	(463,406)	2,351,058

City of Eagle Grove, Iowa

Reconciliation of the Statement of Cash
Receipts, Disbursements, and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position
Governmental Funds

As of and for the year ended June 30, 2021

Total governmental funds cash balances (page 5)	\$ 2,351,058
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Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Funds are used by management to charge the costs of partial self-funding of the City's health insurance benefit plan to individuals funds and to charge the costs of major equipment replacements to individual funds. A portion of the cash balances of the Internal Service Funds is included in governmental activities in the Cash Basis Statement of Activities and Net Position.

(41,083)

Cash basis net position of governmental activities (page 4)
--

<u>\$ 2,309,975</u>

Change in cash balances (page 5)

\$ 492,767

Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Funds are used by management to charge the costs of partial self-funding of the City's health insurance benefit plan to individuals funds and to charge the costs of major equipment replacements to individual funds. A portion of the changes in cash balances of the Internal Service Funds is included in governmental activities in the Cash Basis Statement of Activities and Net Position.

(16,089)

Change in cash basis net position of governmental activities (page 4)
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<u>\$ 476,678</u>

See notes to financial statements.

City of Eagle Grove, Iowa

Statement of Cash Receipts, Disbursements, and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2021

	Enterprise			
	Water	Sewer	Nonmajor	Total
			Meter Deposits	
Operating receipts:				
Charges for service	791,212	2,426,362	-	3,217,574
Miscellaneous	-	-	34,008	34,008
Total operating receipts	791,212	2,426,362	34,008	3,251,582
Operating disbursements:				
Business-type activities	715,772	1,767,465	14,918	2,498,155
Excess (deficiency) of operating receipts over (under) operating disbursements	75,440	658,897	19,090	753,427
Nonoperating receipts (disbursements):				
Interest on investments	429	56	-	485
Intergovernmental Receipts	182,861	208,041	-	390,902
Loan proceeds	10,257	425,801	-	436,058
Debt service	-	(1,245,394)	-	(1,245,394)
Capital projects	(608,157)	(429,446)	-	(1,037,603)
Net nonoperating receipts (disbursements)	(414,610)	(1,040,942)	-	(1,455,552)
Excess (deficiency) of receipts over (under) disbursements	(339,170)	(382,045)	19,090	(702,125)
Transfer in	240,031	1,392,824		
Transfer out	(240,000)	(1,392,855)		
Net transfers in (out)	31	(31)	-	-
Change in cash balances	(339,139)	(382,076)	19,090	(702,125)
Cash balances, beginning of year	469,396	1,015,719	113,230	1,598,345
Cash balances, end of year	130,257	633,643	132,320	896,220
Cash Basis Fund Balances				
Restricted for:				
Debt service	-	203,574	-	203,574
Capital projects	94,102	204,983	-	299,085
Unrestricted	36,155	225,086	132,320	393,561
Total cash basis fund balances	130,257	633,643	132,320	896,220

See notes to financial statements.

Internal Service		
Employee Health	Equipment Replacement	Total
-	-	-
5,500	45,002	50,502
5,500	45,002	50,502
5,411	-	5,411
89	45,002	45,091
-	-	-
-	-	-
-	-	-
-	-	-
-	(53,135)	(53,135)
-	(53,135)	(53,135)
89	(8,133)	(8,044)
-	-	-
89	(8,133)	(8,044)
2,200	37,263	39,463
2,289	29,130	31,419
-	-	-
-	-	-
2,289	29,130	31,419
2,289	29,130	31,419

City of Eagle Grove, Iowa

Reconciliation of the Statement of Cash
Receipts, Disbursements, and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position
Proprietary Funds

As of and for the year ended June 30, 2021

Total enterprise funds cash balances (page 7)	\$ 896,220
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Amounts reported for business-type activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Funds are used by management to charge the costs of partial self-funding of the City's health insurance benefit plan to individuals funds and to charge the costs of major equipment replacements to individual funds. A portion of the cash balances of the Internal Service Funds is included in business-type activities in the Cash Basis Statement of Activities and Net Position.

72,502

Cash basis net position of business-type activities (page 10)
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\$ 968,722

Change in cash balances (page 7)

(702,125)

Amounts reported for business-type activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Funds are used by management to charge the costs of partial self-funding of the City's health insurance benefit plan to individuals funds and to charge the costs of major equipment replacements to individual funds. A portion of the changes in cash balances of the Internal Service Funds is included in business-type activities in the Cash Basis Statement of Activities and Net Position.

8,045

Change in cash basis net position of business-type activities (page 10)
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\$ (694,080)

See notes to financial statements.

City of Eagle Grove, Iowa

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

The City of Eagle Grove is a political subdivision of the State of Iowa located in Wright County. It was first incorporated in 1882 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water, sewer, solid waste, and landfill utility services for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Eagle Grove has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Blended Component Units

The following component units are entities which are legally separate from the City but are so intertwined with the City that they are, in substance, the same as the City.

The municipal waterworks and sewer have been established pursuant to Chapter 388 of the Code of Iowa for operation of the city waterworks. Although the municipal waterworks and sewer are legally separate from the City, their operations are budgeted with, and reported with the City's Proprietary Fund Types.

A drainage district has been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although this district is legally separate from the City, it is controlled, managed, and supervised by the City Council. The drainage district is reported as a capital project fund. Financial information of the drainage district can be obtained from the city clerk.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Wright County Conference Board, Wright County Emergency Management Commission, Wright County Joint E911 Service Board, Law Enforcement Center Commission, Wright County Landfill Authority, and MIDAS Council of Governments.

City of Eagle Grove, Iowa

Notes to Financial Statements

B. Basis of Presentation

Government-wide Financial Statements – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Funds.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

City of Eagle Grove, Iowa

Notes to Financial Statements

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

Capital Projects:

The Wellness Center Fund is used to account for loan proceeds received to finance the expansion of the Wellness Center.

DD#15 Fund is used to account is used to account for loan proceeds received to finance drainage districts.

The 2019 Projects Fund is used to account for loan proceeds received to finance City infrastructure improvements, clean up dangerous or dilapidated homes, and make improvements to City Hall.

The Residential Development Fund is used to account for loan proceeds received to finance housing development projects around the city.

The City reports the following major proprietary funds:

The Enterprise, Water Fund is used to account for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund is used to account for operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The City also reports the following proprietary funds:

Internal Service Funds, Employee Health and Equipment Replacement, are used to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

The City of Eagle Grove maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with the U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursements toward restricted fund balance and then to less-restrictive classifications – assigned and then unassigned fund balances.

City of Eagle Grove, Iowa

Notes to Financial Statements

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 11/2% per month penalty for delinquent payments; is based on January 1, 2019 assessed property valuations; is for the tax accrual period July 1, 2020 through June 30, 2021 and reflects tax asking contained in the budget certified to the City Council in March 2020.

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. City disbursements were within budgeted limits for the year ended June 30, 2021.

(2) **Cash and Investments**

The City's deposits in banks at June 30, 2021 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,186,694. There were no limitations or restrictions on withdrawals for the IPAIT investments. The City's investment in the Iowa Public Agency Investment Trust is unrated.

City of Eagle Grove, Iowa

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Interest rate risk – The City’s investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

(3) Bonds and Notes Payable

A summary of changes in bonds and notes payable for the year ended June 30, 2021 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General Obligation Bonds	\$ 5,575,000	2,065,000	560,000	7,080,000	615,000
Governmental activities total:	\$ 5,575,000	2,065,000	560,000	7,080,000	615,000
Business-type activities:					
Sewer Clean Water Loan	\$24,157,728	150,456	517,000	23,791,184	533,000
Sewer SRF Planning Note	-	275,344	-	275,344	-
Business-type activities total:	\$24,157,728	425,800	517,000	24,066,528	533,000

General Obligation Bonds

A summary of the City’s June 30, 2021 general obligation bonds payable is as follows:

Year Ending June 30,	Corporate Purpose & Refunding Bond Issued Dec 28, 2011			Local Option Sales Tax Refunding Bond Issued Apr 4, 2012			Corporate Purpose Issued Jul 16, 2014		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest
2022	2.65	75,000	5,963	2.15	155,000	20,020	2.00	125,000	12,420
2023	2.65	75,000	3,975	2.30	160,000	16,688	2.20	130,000	9,920
2024	2.65	75,000	1,987	2.45	165,000	13,007	2.35	140,000	7,060
2025	-	-	-	2.60	165,000	8,965	2.60	145,000	3,770
2026	-	-	-	2.75	170,000	4,675	-	-	-
2027-2031	-	-	-	-	-	-	-	-	-
2032-2036	-	-	-	-	-	-	-	-	-
2037-2039	-	-	-	-	-	-	-	-	-
Total		\$ 225,000	11,925		815,000	63,355		540,000	33,170

Year Ending June 30,	Corporate Purpose Bond Issued Mar 21, 2017			Corporate Purpose Bond Issued Feb 7, 2019			Corporate Purpose Issued Feb 7, 2019		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest
2022	2.25	35,000	9,448	4.0	100,000	56,800	3.75	75,000	61,738
2023	2.50	35,000	8,660	3.0	100,000	52,800	3.75	75,000	58,925
2024	2.70	40,000	7,785	3.0	100,000	49,800	3.75	80,000	56,112
2025	2.90	40,000	6,705	3.0	115,000	46,800	3.75	80,000	53,113
2026	3.10	45,000	5,545	3.0	115,000	43,350	3.75	85,000	50,112

City of Eagle Grove, Iowa

Notes to Financial Statements

2027-2031	3.30-3.6	120,000	8,255	3.25	645,000	158,713	3.75	465,000	200,493
2032-2036		-	-	3.75	505,000	57,187	4.35	580,000	89,317
2037-2039		-	-		-	-		-	-
Total		<u>\$ 315,000</u>	<u>46,398</u>		<u>1,680,000</u>	<u>465,450</u>		<u>1,440,000</u>	<u>569,810</u>

Year Ending June 30,	Corporate Purpose				
	Issued May 5, 2021				Total
	Interest Rates	Principal	Interest	Principal	Interest
2022	2.0	50,000	54,261	615,000	220,650
2023	2.0	95,000	50,122	670,000	201,090
2024	1.0	95,000	49,124	695,000	184,875
2025	1.0	95,000	47,936	640,000	167,289
2026	1.0	95,000	46,560	510,000	150,242
2027-2031	1.45-2.0	520,000	204,620	1,750,000	572,081
2032-2036	2.0-2.1	585,000	136,078	1,670,000	282,582
2037-2039	2.40	530,000	43,096	530,000	43,096
Total		\$2,065,000	631,797	7,080,000	1,821,905

On December 28, 2011, the City issued \$1,550,000 of general obligation bonds with interest rates ranging from 2.00% to 2.65% per annum. The bonds were issued for downtown improvements, new water meters and the childcare building. During the year ended June 30, 2021, the City paid \$110,000 of principal and \$8,273 of interest on the bonds.

On April 4, 2012, the City issued \$1,845,000 of general obligation bonds with interest rates ranging from 0.80% to 2.50% per annum. The bonds were issued for the aquatic center. During the year ended June 30, 2021, the City paid \$155,000 of principal and \$22,608 of interest on the bonds.

On July 16, 2014, the City issued \$1,280,000 of general obligation bonds with interest rates ranging from 1.20% to 3.60% per annum. The bonds were issued for a cemetery garage and police vehicle radio equipment. During the year ended June 30, 2021, the City paid \$125,000 of principal and \$14,920 of interest on the bonds.

On March 21, 2017, the City issued \$485,000 of general obligation bonds with interest rates ranging from 2.00% to 2.65% per annum. The bonds were issued for downtown improvements, new water meters and the childcare building. During the year ended June 30, 2021, the City paid \$35,000 of principal and \$10,148 of interest on the bonds.

On February 7, 2019, the City issued \$1,795,000 of general obligation bonds with interest rates ranging from 3.00% to 4.00% per annum. The bonds were issued for infrastructure of a new subdivision, commercial construction incentive and downtown urban renewal project. During the year ended June 30, 2021, the City paid \$65,000 of principal and \$59,400 of interest on the bonds.

On February 7, 2019, the City issued \$1,555,000 of general obligation bonds with interest rates ranging from 3.75% to 5.00% per annum. The bonds were issued for the purchase of land for a new subdivision. During the year ended June 30, 2021, the City paid \$70,000 of principal and \$64,363 of interest on the bonds.

On May 5, 2021, the City issued \$2,065,000 of general obligation bonds with interest rates ranging from

City of Eagle Grove, Iowa

Notes to Financial Statements

1.00% to 2.40% per annum. The bonds were issued for the expansion of the Wellness Center. The City did not pay any principal or interest on the notes during the year ended June 30, 2021.

Revenue Notes

Year Ending June 30,	Sewer Issued December 1, 2017		Total	
	Principal	Interest	Principal	Interest
2022	533,000	813,150	533,000	813,150
2023	577,000	797,160	577,000	797,160
2024	632,000	779,850	632,000	779,850
2025	705,000	760,890	705,000	760,890
2026	760,000	739,740	760,000	739,740
2027-2031	4,155,000	3,342,750	4,155,000	3,342,750
2032-2036	4,816,000	2,681,020	4,816,000	2,681,020
2037-2041	5,584,000	1,913,910	5,584,000	1,913,910
2042-2046	6,029,185	947,811	6,029,185	947,811
Total	\$23,791,185	12,776,281	23,791,185	12,776,281

The City has pledged future sewer customer receipts, net of specified operating disbursements to repay \$28,130,000 of sewer revenue notes issued in December 2017. These bonds were used to refund bonds with higher interest rates and to plan future expansion of the wastewater treatment facility. These notes are payable only from sewer customer net receipts and are payable through 2048. Total principal and interest (accruing at a rate of 2.75%) remaining to be paid on the note as of June 30, 2021 is \$36,567,466. For the current year, principal and interest paid and the excess of operating receipts over operating disbursements from the sewer fund were \$1,245,052 and \$658,897 respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements to repay \$1,500,000 of sewer revenue notes issued in December 2021. These notes are payable only from sewer customer net receipts and are payable through 2048. As of June 31, 2021, the City has borrowed \$275,344 from this note. This is a planning loan for future improvements to the wastewater facilities and carries an interest rate of 0%. As the City is still in the planning phase for these improvements, the repayment of this balance is not set and therefore it is not included in the above maturities schedule.

The resolutions providing for the issuance of the revenue bonds include the following provisions:

- The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- Sufficient monthly transfers shall be made to separate Sewer sinking funds for the purpose of making the notes' principal and interest payments when due.
- Sufficient rates are to be charged to generate Net Revenues adequate to pay the principal and interest on the bonds and to create and maintain the reserves required by the bonds. Net Revenues are also to be equal to or greater than 110% of the principal and interest requirements of the succeeding fiscal year.
- Annually the City will cause a rate study to be completed for the sewer fund to ensure sufficient rates are charged to generate receipts large enough to pay debt obligations.

Lease-Purchase Agreement

On May 3, 2019, the City entered into a lease purchase agreement with PNC Equipment Finance, LLC in the amount of \$793,055. The City purchased a Fire Truck with this financing. The City makes annual payments of \$88,119.40 which includes interest at a rate of 4.73%. For the year ended June 30, 2021, the City paid

City of Eagle Grove, Iowa

Notes to Financial Statements

principal and interest of \$53,002 and \$35,118 respectively. Annual debt service requirements to maturity are as follows.

Year Ended June 30,	Principal	Interest	Total
2022	55,509	32,611	88,120
2023	58,134	29,985	88,119
2024	60,884	27,235	88,119
2025	63,764	24,356	88,120
2026	66,780	21,340	88,120
2026-2031	384,372	56,222	440,594
Total	\$ 689,443	191,749	\$ 881,192

(4) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is

City of Eagle Grove, Iowa

Notes to Financial Statements

0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2019, pursuant to the required rate, regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.41% of covered payroll and the City contributed 9.61% of covered payroll, for a total rate of 16.02%.

The City's contributions to IPERS for the year ended June 30, 2021 totaled \$152,421.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the City reported a liability of \$881,916 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2020, the City's proportion was 0.012554%, which was an increase of 0.002168% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City's pension expense, deferred outflows of resources, and deferred inflows of resources totaled \$186,413, \$246,735 and \$127,236, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

Rate of inflation	
(effective June 30, 2017)	2.60% per annum

City of Eagle Grove, Iowa

Notes to Financial Statements

Rates of salary increase (effective June 30, 2017)	3.25 to 16.25%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00%, compounded annually, net of investments expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2020 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	22.0%	4.43%
International Equity	17.5	5.15
Global smart beta equity	6.0	4.87
Core Plus Fixed Income	28.0	(0.29)
Public Credit	4.0	2.29
Cash	1.0	(0.78)
Private Equity	11.0	6.54
Private Real Assets	7.5	4.48
Private Credit	3.0	3.11
	<u>100%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
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City of Eagle Grove, Iowa

Notes to Financial Statements

City's proportionate share of the net pension liability	\$ 1,717,971	881,916	181,218
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Pension Plan Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2021, the City contributed \$319,898 and plan members eligible for benefits contributed \$40,106 to the plan. At June 30, 2021, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the City and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2021 the City had 23 active members and no retired members covered under this plan.

(6) Compensated Absences

City employees accumulate unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement, or death. Upon retirement, employees receive one day of pay for every four days of unused sick leave.

These accumulations are not recognized as disbursements by the City until they are used or paid. This liability has been computed based on rates of pay in effect on July 1, 2021. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2021, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 75,167
Sick leave	271,403
	<u>\$ 346,570</u>

(7) Interfund Transfers

The detail of interfund transfers, for the year ended June 30, 2021 is as follows:

Transfer To	Transfer From	Amount
General	Special Revenue: Solid Waste	6,983

City of Eagle Grove, Iowa

Notes to Financial Statements

	Capital Projects	
	Wellness Center	7,500
		<u>15,295</u>
Debt Service	Special Revenue:	
	Local Option Sales Tax	178,808
	Tax Increment Financing	300,000
	Capital Projects	
	Residential Development	90,000
		<u>568,808</u>
Special Revenue:	Capital Projects	
Housing Rehabilitation	Residential Development	71,250
Capital Projects:		
Capital Improvement	General	20,000
		<u>\$ 675,353</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) Wright County Landfill Authority

The City, in conjunction with 12 other municipalities, is a member of the Wright County Landfill Authority. The Authority was established for the primary purpose of providing for the collection and disposal of solid waste produced or generated by each participant. The Authority is governed by a board composed of an elected representative of the governing body of each participating governmental jurisdiction. The landfill has since been closed. Upon dissolution of the corporation, the net assets of the Authority will be prorated among the municipalities.

The Authority, during its operation, did not accumulate sufficient financial resources for its debt and its closing costs, therefore the participating governments are obligated for a proportionate share of those costs.

During the year ended June 30, 2021, the City of Eagle Grove paid the Authority \$6,380 for its share of the costs. Complete financial statements for the Authority can be obtained from Wright County Landfill itself.

(9) Related Party Transactions

The City had business transactions between the City and City officials totaling \$49,320 during the year ended June 30, 2021.

(10) Risk Management

The City of Eagle Grove is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

City of Eagle Grove, Iowa

Notes to Financial Statements

(11) Deficit Balance

The Debt Service Fund has a deficit fund balance of \$16,082 at June 30, 2021. The deficit was a result of inadequate transfers during the year. This deficit will be eliminated with transfers in the next fiscal year.

The DD#15 Fund has a deficit fund balance of \$595,304 at June 30, 2021. The deficit was a result of constructional work done during the year with inadequate funding. The deficit will be covered when effected landowners are assessed.

Housing Rehabilitation Fund has a deficit fund balance of \$5,358 at June 30, 2021. The deficit was a result of inadequate transfers during the year. This deficit will be eliminated with transfers in the next fiscal year and the release of federal reimbursements.

The Capital Improvement Fund has a deficit fund balance of \$747. The deficit was a result of excess outlays above funding. This deficit will be eliminated with transfers in the next fiscal year.

The Sponsored Project Fund has a deficit fund balance of \$789,196 at June 30, 2021. This deficit was the result of constructional work for a water quality project to be completed soon. This deficit will be covered with SRF loan proceeds and CDBG funding received in the next fiscal year.

The SW 9th Street Bridge Fund has a deficit fund balance of \$56 at June 30, 2021. This deficit was the result of inadequate transfers during the year. This deficit will be eliminated with transfers in the next fiscal year.

(12) Tax Abatement

Government Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in the tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax receipts to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to the economic development or otherwise benefits the governments or the citizens or those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2021, \$20,297 of property tax was diverted from the City under the urban renewal and economic developments agreements.

(13) Development Agreement

The City has entered into a development agreement with Eagle Grove Hotel, LLC for the construction of a hotel with a minimum assessed value of \$1,270,000. The City agreed to lend the developer an amount of

City of Eagle Grove, Iowa

Notes to Financial Statements

\$500,000 with a forgivable loan, after the developer executed an Assessment Agreement. This agreement was executed on November 18, 2019. All principal advanced under the loan shall be due and owing to the City at City Hall by Noon on June 30, 2034, unless sooner forgiven in accordance with the terms of this Agreement. A portion of the loan may be forgiven annually each May 1, during the term of the loan, assuming the development generates the required incremental property tax revenues as defined in the agreement.

(14) Subsequent Events

Management has evaluated all events and transactions through February 4, 2022, the date the financial statements were available to be issued, for potential recognition or disclosure in the financial statements.

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the City, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the City. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the City.

Currently, the City has not seen a loss of sales due to the COVID-19 pandemic. Given the uncertainty regarding the spread of this virus and the timing of the economic recovery, the related financial impact cannot be reasonably predicted or estimated at this time.

Other Information

City of Eagle Grove, Iowa
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances –
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Other Information

Year Ended June 30, 2021

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts:						
Taxes levied on property	\$ 1,626,617	-	1,626,617	1,572,018	1,572,018	54,599
TIF revenues	317,457	-	317,457	324,326	324,326	(6,869)
Other city taxes	512,403	-	512,403	454,855	529,855	(17,452)
Licenses and permits	24,304	-	24,304	31,175	31,175	(6,871)
Use of money and property	25,073	485	25,558	33,150	33,150	(7,592)
Intergovernmental	1,136,994	390,902	1,527,896	4,153,494	4,433,494	(2,905,598)
Charges for fees and service	604,547	3,217,574	3,822,121	3,894,800	3,894,800	(72,679)
Special assessments	-	-	-	166,000	166,000	(166,000)
Miscellaneous	191,955	34,008	225,963	140,109	140,109	85,854
Total receipts	4,439,350	3,642,969	8,082,319	10,769,927	11,124,927	(3,042,608)
Disbursements:						
Public safety	1,253,146	-	1,253,146	1,144,428	1,281,928	28,782
Public works	836,042	-	836,042	882,531	982,531	146,489
Culture and recreation	518,140	-	518,140	631,435	2,681,435	2,163,295
Community and economic development	222,163	-	222,163	824,725	824,725	602,562
General government	168,104	-	168,104	170,630	181,630	13,526
Debt service	742,710	-	742,710	742,742	745,242	2,532
Capital projects	2,277,436	-	2,277,436	3,038,120	3,038,120	760,684
Business-type / enterprise	-	4,781,152	4,781,152	4,481,740	5,255,740	474,588
Total disbursements	6,017,741	4,781,152	10,798,893	11,916,351	14,991,351	4,192,458
Deficiency of receipts under disbursements	(1,578,391)	(1,138,183)	(2,716,574)	(1,146,424)	(3,866,424)	1,149,850
Other financing sources, net	2,071,158	436,058	2,507,216	391,000	2,441,000	66,216
Excess of receipts and other financing sources over disbursements and other financing uses	492,767	(702,125)	(209,358)	(755,424)	(1,425,424)	1,216,066
Balances, beginning of year	1,858,291	1,598,345	3,456,636	4,144,760	5,697,286	(2,240,650)
Balances, end of year	\$ 2,351,058	896,220	3,247,278	3,389,336	4,271,862	(1,024,584)

See accompanying independent auditor's report.

City of Eagle Grove, Iowa

Notes to Other Information – Budgetary Reporting

June 30, 2021

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, and the Enterprise Funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted receipts by \$2,610,900 and budgeted disbursements by \$3,280,900. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2021, disbursements were within budgeted limit.

City of Eagle Grove
Schedule of the City's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
For the Last Seven Years*
(In Thousands)

Other Information

	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.01255%	0.01039%	0.00952%	0.01022%	0.01039%	0.00961%	0.00826%
City's proportionate share of the net pension liability	\$ 882	601	602	681	654	475	327
City's covered-employee payroll	\$ 1,409	1,302	1,130	1,167	1,145	1,183	1,183
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	62.60%	46.20%	51.40%	58.30%	57.10%	40.10%	27.67%
IPERS' net position as a percentage of the total pension liability	82.90%	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

City of Eagle Grove, Iowa
Schedule of City Contributions
Iowa Public Employees' Retirement System
For the Last Ten Years

Other Information

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 152,421	134,961	127,743	108,782
Contributions in relation to the statutorily required contribution	<u>(152,421)</u>	<u>(134,961)</u>	<u>(127,743)</u>	<u>(108,782)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$ 1,604,560	1,409,459	1,301,667	1,130,265
Contributions as a percentage of covered-employee payroll	9.50%	9.58%	9.81%	9.62%

See accompanying independent auditor's report.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
108,152	106,192	111,037	109,060	100,816	97,164
<u>(108,152)</u>	<u>(106,192)</u>	<u>(111,037)</u>	<u>(109,060)</u>	<u>(100,816)</u>	<u>(97,164)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1,167,373	1,145,374	1,183,397	1,161,566	1,090,477	1,105,546
9.26%	9.27%	9.38%	9.39%	9.25%	8.79%

City of Eagle Grove, Iowa

Notes to Other Information – Pension Liability

June 30, 2021

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2016. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

Supplementary Information

City of Eagle Grove, Iowa
Schedule of Cash Receipts, Disbursements, and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2021

	Special Revenue						Capital Improvements
	Employee Benefits	Local Option Sales Tax	SWWC EMS	Tax Increment Financing	Housing Rehabilitation	Solid Waste	
Receipts:							
Property tax	434,728	-	-	-	-	-	62,947
Tax increment financing	-	-	-	317,457	-	-	-
Other city tax	-	497,522	-	-	-	-	-
Use of money and property	-	-	2	-	-	-	-
Intergovernmental	14,979	-	29,311	689	40,240	-	3,692
Charges for service	-	-	-	-	-	294,679	-
Miscellaneous	35,248	-	3,100	-	-	-	3,500
Total receipts	484,955	497,522	32,413	318,146	40,240	294,679	70,139
Disbursements:							
Operating:							
Public safety	288,019	-	28,951	-	-	-	-
Public works	31,556	-	-	-	-	291,554	-
Culture and Recreation	114,347	-	-	16,150	1,000	-	-
Community and economic development	28,234	-	-	26,278	61,365	-	-
General government	34,340	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Capital projects	-	401,213	-	-	-	-	45,003
Total disbursements	496,496	401,213	28,951	42,428	62,365	291,554	45,003
Excess of receipts over disbursements	(11,541)	96,309	3,462	275,718	(22,125)	3,125	25,136
Other financing sources (uses):							
Sale of assets	-	-	-	-	-	-	-
Bond Proceeds	-	-	-	-	-	-	-
Operating transfers in	-	-	-	-	71,250	-	20,000
Operating transfers out	-	(178,808)	-	(300,000)	-	(7,795)	-
Net other financing sources (uses)	-	(178,808)	-	(300,000)	71,250	(7,795)	20,000
Change in cash balances	(11,541)	(82,499)	3,462	(24,282)	49,125	(4,670)	45,136
Cash balances, beginning of year	92,564	135,754	15,519	53,436	(54,483)	6,402	(45,883)
Cash balances, end of year	81,023	53,255	18,981	29,154	(5,358)	1,732	(747)
Cash Basis Fund Balances							
Nonspendable:							
Cemetery care	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-
Restricted:							
Employee benefits	81,023	-	-	-	-	-	-
Local option sales tax	-	53,255	-	-	-	-	-
Restricted for other purposes	-	-	18,981	29,154	-	1,732	-
Unrestricted	-	-	-	-	(5,358)	-	(747)
Total cash basis fund balances	81,023	53,255	18,981	29,154	(5,358)	1,732	(747)

See accompanying independent auditor's report.

Capital Projects				Permanent		Total
Sponsored Project	SW 9th Street Bridge	Fire Dept Ladder Truck	Museum Renovation	Cemetery Perpetual	Library Endowment	
-	-	-	-	-	-	497,675
-	-	-	-	-	-	317,457
-	-	-	-	-	-	497,522
-	-	-	2	-	-	4
2,000	-	29,171	-	-	-	120,082
-	-	-	-	-	-	294,679
-	-	-	233	2,300	-	44,381
2,000	-	29,171	235	2,300	-	1,771,800
-	-	-	-	-	-	316,970
-	-	-	-	-	-	323,110
-	-	-	-	-	-	131,497
-	-	-	-	-	-	115,877
-	-	-	-	-	-	34,340
-	-	-	-	-	-	-
573,512	56	88,119	150	-	-	1,108,053
573,512	56	88,119	150	-	-	2,029,847
(571,512)	(56)	(58,948)	85	2,300	-	(258,047)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	91,250
-	-	-	-	-	-	(486,603)
-	-	-	-	-	-	(395,353)
(571,512)	(56)	(58,948)	85	2,300	-	(653,400)
(217,684)	-	77,271	17,488	68,910	40,700	189,994
(789,196)	(56)	18,323	17,573	71,210	40,700	(463,406)
-	-	-	-	71,210	-	71,210
-	-	-	-	-	40,700	40,700
-	-	-	-	-	-	81,023
-	-	-	-	-	-	53,255
-	-	18,323	17,488	-	-	85,678
(789,196)	(56)	-	85	-	-	(795,272)
(789,196)	(56)	18,323	17,573	71,210	40,700	(463,406)

City of Eagle Grove, Iowa
Schedule of Receipts by Source and Disbursements by Function
All Governmental Funds
For the Last Ten Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Receipts:										
Property tax	\$ 1,626,617	1,464,841	1,418,877	1,314,058	1,270,901	1,335,435	1,241,496	1,179,770	1,172,795	1,118,289
Tax increment financing	317,457	220,528	156,136	102,962	89,799	64,260	14,310	74,385	70,683	74,112
Other city tax	512,403	414,845	483,567	302,443	405,325	376,881	343,826	338,195	339,793	401,382
Licenses and permits	24,304	31,037	37,825	46,721	30,754	22,059	32,017	29,536	37,053	8,255
Use of money and property	25,073	64,810	58,707	37,369	34,286	31,314	35,452	35,783	40,172	41,783
Intergovernmental	1,136,994	861,805	975,438	622,412	709,288	786,979	2,438,130	1,036,676	1,343,766	533,373
Charges for service	604,547	515,222	606,637	613,183	655,534	605,378	622,273	636,913	685,360	597,793
Miscellaneous	191,955	125,255	179,070	159,226	284,930	178,101	274,437	267,925	235,281	188,873
Total receipts	\$ 4,439,350	3,698,343	3,916,257	3,198,374	3,480,817	3,400,407	5,001,941	3,599,183	3,924,903	2,963,860
Disbursements:										
Operating:										
Public safety	\$ 1,253,146	1,018,592	1,160,731	904,597	901,552	915,211	932,801	961,941	910,011	881,228
Public works	836,042	813,614	788,566	783,452	806,778	772,101	753,005	727,364	717,723	738,205
Culture and recreation	822,554	478,725	473,112	478,776	494,391	480,406	471,020	503,995	510,500	591,583
Health and social services	-	-	-	-	-	-	-	-	-	5,230
Community and economic development	222,163	145,521	208,413	48,828	134,885	15,643	29,486	59,670	15,590	23,207
General government	185,254	158,922	152,252	154,739	161,328	142,624	142,006	164,736	136,523	150,218
Debt service	742,710	800,506	505,026	509,248	460,616	499,703	405,590	402,265	411,420	1,171,278
Capital projects	1,955,872	2,956,973	1,259,269	404,594	1,086,450	729,748	2,713,682	1,262,869	1,672,092	466,716
Total disbursements	\$ 6,017,741	6,372,853	4,547,369	3,284,234	4,046,000	3,555,436	5,447,590	4,082,840	4,373,859	4,027,665

See accompanying independent auditor's report.



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eagle Grove, Iowa, as of and for the year ended June 30, 2021, and the related Notes to the Financial Statements, which collectively comprise the City Eagle Grove, Iowa's basic financial statements and have issued our report thereon dated February 4, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Eagle Grove's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Eagle Grove's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Eagle Grove's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as items I-A-21 and I-B-21 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Eagle Grove's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws,

regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory or other legal matters about the City's operations for the year ended June 30, 2021 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of these statutes.

The City of Eagle Grove's Responses to the Findings

The City of Eagle Grove's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Eagle Grove's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Eagle Grove during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

T.P. Anderson & Company, P.C.

February 4, 2022

Humboldt, Iowa

CITY OF EAGLE GROVE, IOWA

SCHEDULE OF FINDINGS

Year Ended June 30, 2021

Part I: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

I-A-21 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody, and recording of transactions are not under the control of the same employee.

Condition – From time to time, one individual in the City may have control over the cash receipts and cash disbursements listings, bank deposits and withdrawals, and the posting of cash receipts and disbursements to the cash receipts and cash disbursements journals. However to the extent possible the Finance Officer is responsible to initiate disbursements which require dual signatures and the Utility Clerk is responsible for receipts and deposits.

Cause – The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors, or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response – We believe that we are close to the maximum degree of segregation of duties possible with the limited number of office employees. We will investigate additional procedures to cost effectively improve internal control.

Conclusion – Response accepted.

CITY OF EAGLE GROVE, IOWA

SCHEDULE OF FINDINGS

Year Ended June 30, 2021

I-B-21 Separately Maintained Records – During the audit, we identified four bank accounts that were not being included in the financial reporting of the governmental funds of the City. The bank accounts were used to record the activity of the flexible benefits account and for several police accounts. The total balance of these accounts at June 30, 2021 was \$21,917.

Criteria – To appropriately account for and demonstrate accountability for all of the City’s cash assets, procedures should be in place to ensure all bank accounts are included in the City’s financial records. Chapter 384.20 of the Code of Iowa states, in part, “A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose.”

Cause – There is no process implemented for identifying that all bank accounts are included and reconciled in the City’s records.

Effect – The bank accounts and related transactions were excluded from the City’s records.

Recommendation – For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City’s accounting records and reported to the City Council on a monthly basis. Supporting documentation should be maintained to support all disbursements.

Response – We will consider the recommendation and take steps to address this issue.

Conclusion – Response accepted.

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

Part II: Other Findings Related to Statutory Reporting

II-A-21 Certified Budget – Disbursements during the year ended June 30, 2021 did not exceed the amounts budgeted.

II-B-21 Questionable Disbursements – We noted no questionable disbursements in regard to the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-21 Travel Expense – No disbursements of City money for travel expense of spouses of City officials or employees were noted.

CITY OF EAGLE GROVE, IOWA

SCHEDULE OF FINDINGS

Year Ended June 30, 2021

II-D-21 Business Transactions – Business transactions between the City and its officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Al Pamperin, Council Member, Father of Owner of Eagle Trenching	Repairs to water mains and lines	\$ 44,811
Matt Jergens, Council Member, Co-Owner of Oldson's	Heating & Cooling Repairs	4,509

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, The transactions with Oldson's Inc. do not appear to represent a conflict of interest since total transactions with each individual was below \$6,000 during the fiscal year. The remaining above transactions may represent a conflict of interest since total transactions were more than \$6,000 during the fiscal year and the transactions were not competitively bid.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response – We will review the transactions and determine if such consultation is necessary.

Conclusion – Response accepted.

II-E-21 Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

II-F-21 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

II-G-21 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

Although minutes of City Council proceedings were published, they were not always published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

CITY OF EAGLE GROVE, IOWA

SCHEDULE OF FINDINGS

Year Ended June 30, 2021

Recommendation – The City should comply with Chapter 372 of the Code of Iowa and publish the minutes within the proper time frame, as required.

Response – We will comply with the Code requirements City Council proceedings. We will publish minutes as required.

Conclusion – Response accepted.

II-H-21 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

II-I-21 Revenue Bonds and Notes – No instances of noncompliance with the revenue note resolutions were noted.